

GLOBESPAN, INC. V. O'NEILL

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To survive in a competitive business environment, an employer needs to retain a highly skilled workforce with the know-how to stay one step ahead of its rivals. In that same environment, however, an experienced employee stands to realize higher compensation and greater career satisfaction by frequently changing employers. The loss of an employee, especially one with trade secret information, may present a significant set-back to an employer's competitive edge. To prevent loss of trade secret information, an employer may attempt to enjoin an employee from working for a competitor by invoking the doctrine of inevitable disclosure.¹ This doctrine is based on the presumption that an employee cannot help but use or disclose her former employer's trade secrets in the performance of a new position having similar responsibilities. Because of its tension with public policy favoring employee mobility, state and federal jurisdictions have applied the doctrine sparingly and with considerable circumspection.

Following precedent from federal district courts, the Central District of California in *GlobeSpan, Inc. v. O'Neill* rejected the doctrine as counter to California's strong public policy favoring employee mobility as articulated under California Business and Professions Code Section 16600.² Although not subject to appellate review, *GlobeSpan* and its predecessors indicate that California federal courts have adopted a *per se* rule barring the doctrine in actions for trade secret misappropriation.

This Note argues that rejection of the doctrine as counter to public policy was improper. The doctrine does not fall within the intended scope of section 16600, which historically has been limited to the invalidation of contracts that encourage monopolistic practices. Further, a judicially created exception to section 16600 allows restraint of employee mobility where trade secrets are at stake. Therefore, the doctrine should at least survive a motion of summary judgment so that a court may properly weigh the evidence supporting the existence of trade secrets and their threatened disclosure, especially where disclosure would result in substantial, irreparable harm. To preserve the rights of employees, however, a court should

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1. See generally JAMES POOLEY, TRADE SECRETS § 7.02[2][b][ii] (2001).

2. See *GlobeSpan, Inc. v. O'Neill*, No. CV 01-04350 LGB, 2001 WL 801609 (C.D. Cal. July 12, 2001); CAL. BUS. PROF. CODE § 16600 (West 1997).

apply the doctrine rarely and only when the evidence overwhelmingly supports an allegation of trade secret misappropriation.

I. LEGAL BACKGROUND

A. Introduction to Trade Secrets Law

Legal regimes that protect trade secrets provide businesses with an important incentive to create and develop new technologies.³ Businesses can utilize proprietary information to their economic advantage only so long as it remains secret from competitors.⁴ By punishing those who improperly disclose and use protected information, trade secrets law spurs innovation by providing an efficient means through which businesses can protect their investments in research and development.⁵ Trade secrets law finds further support under theories of fairness and morality: it is simply wrong to steal the fruits of another's labor.⁶ However, overbroad application of trade secrets law can interfere with competition and employee mobility.⁷ Thus, trade secrets law must strike a careful balance between protecting business' proprietary information and promoting competition through employee mobility.⁸

Trade secrets doctrine, which originated as a common law tort, first emerged as a unified body of law in the Restatement (First) of Torts and later in the Uniform Trade Secrets Act ("UTSA").⁹ Forty-two states, including California, and the District of Columbia have adopted the UTSA or a modified version of the UTSA.¹⁰ The scope of subject matter protectable as a trade secret is broadly defined under the UTSA as follows:

3. See generally ROBERT MERGES ET AL., *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 31-122 (2d ed. 2000).

4. RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939).

5. See Susan Street Whaley, Comment, *The Inevitable Disaster of Inevitable Disclosure*, 67 U. CIN. L. REV. 809, 816 (1999).

6. See JOHN LOCKE, *TWO TREATISES OF GOVERNMENT* (Peter Laslett ed., Cambridge Univ. Press 1988) (1690); see also MERGES ET AL., *supra* note 3, at 43.

7. Whaley, *supra* note 5, at 840-41.

8. *Id.*

9. RESTATEMENT (FIRST) OF TORTS § 757 (1939); UNIF. TRADE SECRETS ACT, 14 U.L.A. 437-38 (1990 & Supp. 2001); see POOLEY, *supra* note 1, § 2.02[1] ("The first major effort at synthesis of the developing U.S. law of trade secrets was the *Restatement of Torts . . .*").

10. Benjamin A. Emmert, Comment, *Keeping Confidence with Former Employees: California Courts Apply the Inevitable Disclosure Doctrine to California Trade Secret Law*, 40 SANTA CLARA L. REV. 1171, 1177 (2000).

[I]nformation, including a formula, pattern, compilation, program, device, method, technique, or process, that: (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.¹¹

The UTSA further provides that “[a]ctual or threatened misappropriation [of a trade secret] may be enjoined.”¹²

Trade secrets law in California generally follows the UTSA with minor modifications. California’s version of the UTSA (hereinafter “CTSA”) eliminates the “readily ascertainable” language in clause (i), thereby providing even broader protection.¹³ Like the UTSA, section 3426.2(a) of the CTSA also provides for injunctive relief in the event of “[a]ctual or threatened misappropriation.”¹⁴ For a finding of trade secret misappropriation under the CTSA, California courts require that 1) the subject matter for which the plaintiff seeks protection is, in fact, a trade secret; 2) the defendant used, disclosed, or acquired knowledge of the trade secret, knowing the secret was acquired by improper means or in violation of a duty of confidentiality; and 3) public policy favoring protection of the trade secret outweighs the interest of the employee in using her knowledge to support herself in other employment.¹⁵

B. The Problem of the Departing Employee

The departing employee presents a potentially difficult problem for employers seeking to protect their trade secrets.¹⁶ Typically, an employee acquires knowledge of her employer’s trade secrets over the course of her employment, especially if she holds a position in management or technology development.¹⁷ When the employee departs, she is allowed to take

11. UNIF. TRADE SECRETS ACT, § 1(4).

12. *Id.* § 2(a).

13. CAL. CIV. CODE § 3426.1(d) (West 1997). Deletion of the “readily ascertainable” language essentially shifts the burden of proof from the plaintiff to the defendant. Under the UTSA, the plaintiff must show that the information was not readily ascertainable, while under the CTSA, the defendant has the burden of proving that the information was readily ascertainable to make her defense. John Allcock et al., *Overview of California Trade Secrets Law*, in TRADE SECRETS PRACTICE IN CALIFORNIA § 1.2 (2d ed. 1996).

14. CAL. CIV. CODE § 3426.2(a).

15. See CAL. CIV. CODE § 3426.1(b); *GlobeSpan, Inc. v. O’Neill*, No. CV 01-04350 LGB, 2001 WL 801609, at *5 (C.D. Cal. July 12, 2001); *Danjaq, LLC v. Sony Corp.*, No. CV 97-8414-ER, 1999 WL 317629, at *1 (C.D. Cal. Mar. 11, 1999).

16. See generally MERGES ET AL., *supra* note 3, at 84-90.

17. See, e.g., *PepsiCo v. Redmond*, 54 F.3d 1262, 1264-66 (7th Cir. 1995).

with her the general skills and knowledge acquired during her employment,¹⁸ but she may not take away her employer's trade secrets.¹⁹ To protect its trade secrets, the employer may attempt to prevent the employee from assuming a new job with a competitor either by enforcing a noncompetition agreement or by invoking the doctrine of inevitable disclosure.²⁰ In some cases, the employer may elect to pursue both strategies.²¹

A noncompetition agreement, also known as a "restrictive covenant" or a "covenant not to compete," bars an employee from working for a competitor, generally for a specified period of time following her departure.²² In many cases, an employer will condition an offer of employment upon execution of a noncompetition agreement by the prospective employee.²³ Because noncompetition agreements arise during the hiring process, they are viewed as "bargained for" agreements under which the employee receives valuable consideration in exchange for her promise not to compete.²⁴

Additionally, an employer may invoke the doctrine of inevitable disclosure to obtain injunctive relief when an employee leaves to work for a competitor.²⁵ In its application, the doctrine is an evidentiary presumption based on the premise that an employee cannot help but rely on her knowledge of a former employer's trade secrets in the performance of a new position having similar responsibilities.²⁶ Based on the weight of this evi-

18. *Official Aviation Guide Co. v. Am. Aviation Assocs.*, 150 F.2d 173, 178 (7th Cir. 1945); *Morlife, Inc. v. Perry*, 66 Cal. Rptr. 2d 731, 734 (Ct. App. 1997).

19. *Morlife*, 66 Cal. Rptr. 2d at 734; see *Continental Car-Na-Var Corp. v. Moseley*, 148 P.2d 9, 13 (Cal. 1944).

20. See generally *MERGES ET AL.*, *supra* note 3, at 88-96.

21. See, e.g., *DoubleClick, Inc. v. Henderson*, No. 116914/97, 1997 WL 731413 (N.Y. Sup. Ct. Nov. 7, 1997). Plaintiff employer relied on both a noncompetition agreement and the doctrine of inevitable disclosure to obtain injunctive relief.

22. *Whaley*, *supra* note 5, at 817.

23. *Id.*

24. *Id.* at 841. In reality, however, the relative bargaining positions of the employer and the prospective employee undermine the latter's ability to demand consideration. See *State Farm Mut. Auto. Ins. Co. v. Dempster*, 344 P.2d 821, 822 (Cal. Ct. App. 1959) (finding that insurance agents were given no opportunity to negotiate an employment contract containing a non-compete provision); cf. *Latona v. Aetna U.S. Healthcare, Inc.*, 82 F. Supp. 2d 1089, 1096 (C.D. Cal. 1999) (arguing that an employee will comply with a noncompetition agreement even if she believes it to be unenforceable where the employer is large and powerful).

25. *Whaley*, *supra* note 5, at 819.

26. *Id.*; James Pooley, *The Sky Is Not Falling: When It Comes to Trade Secrets and Employee Mobility, a Little 'Inevitable Disclosure' Is Not Such a Bad Thing*, RECORDER, Nov. 1998, at S31; Michael Starr, *The Two Faces of Inevitable Disclosure*, MONDAQ BUS. BRIEFING, May 29, 2001, available at 2001 WL 8986722.

dence, a court may decide to enjoin an employee from assuming a new position with her former employer's competitor for a specified period of time, usually the time required for the secret to become "stale."²⁷ Alternatively, a court may issue an injunction allowing the employee to work for her former employer's competitor but limiting the scope of her duties to noncompeting products or services.²⁸ In principle, the former employer need not show actual misappropriation or even intent to misappropriate under the doctrine of inevitable disclosure.²⁹

C. Recent Application of the Doctrine of Inevitable Disclosure

In the leading case of *PepsiCo v. Redmond*, the Seventh Circuit breathed new life into the doctrine of inevitable disclosure.³⁰ In this case, PepsiCo sought to enjoin defendant Redmond, a former employee, from working for its direct competitor, Quaker.³¹ As a high-level executive, Redmond managed PepsiCo's entire business unit in California.³² He acquired knowledge of PepsiCo's trade secrets, including its three-year strategic plan, pricing structure, plans for gaining further market share, and new product delivery system.³³ In 1994, Redmond left PepsiCo to accept a nearly identical position at Quaker, where he would implement marketing and distribution strategies for competing beverages nationwide.³⁴

The court affirmed the lower court's order prohibiting Redmond from working for Quaker for six months and permanently enjoining him from disclosing confidential information.³⁵ In its opinion, the court stated that "unless Redmond possessed an uncanny ability to compartmentalize information, he would necessarily be making decisions about Gatorade and

27. See, e.g., *PepsiCo v. Redmond*, 54 F.3d 1262, 1272 (7th Cir. 1995) (granting injunction for six months); *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 636 (granting injunction for six months).

28. See, e.g., *FMC Corp. v. Varco Int'l, Inc.*, 677 F.2d 500, 505 (5th Cir. 1982) (granting injunction that allowed defendant employee to work for new employer but prohibited new employer from placing employee in a "position that would create an inherent threat of disclosure"); *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1464-65 (M.D.N.C. 1996) (granting injunction that allowed defendant employee to work for new employer but prohibited him from working on specific competing products).

29. Matthew K. Miller, Note, *Inevitable Disclosure Where No Noncompetition Agreement Exists: Additional Guidance Needed*, 6 B.U. J. SCI. TECH. L. 9, ¶ 16 (2000).

30. See *PepsiCo v. Redmond*, 54 F.3d 1262 (7th Cir. 1995).

31. *Id.* at 1263.

32. *Id.* at 1264.

33. *Id.* at 1265-66.

34. *Id.* at 1266-67.

35. *Id.* at 1272.

Snapple by relying on his knowledge of [PepsiCo's] trade secrets."³⁶ In reaching its decision, the court also relied heavily on Redmond's lack of candor and "out and out lies" to PepsiCo regarding his negotiations with Quaker and his decision to accept their offer.³⁷

Since *PepsiCo*, several state and federal district courts have applied the doctrine of inevitable disclosure in granting injunctions that restrain the mobility of departing employees.³⁸ However, many of these cases, like *PepsiCo*, demonstrate the courts' willingness to apply the doctrine only when the plaintiff has presented evidence that the departing employee was not forthcoming in disclosing her plans for new employment or otherwise acted in bad faith.³⁹ Some commentators interpret these decisions as limiting the doctrine's applicability to situations where there exists substantial evidence of "threatened" or intentional misappropriation.⁴⁰ Similarly, courts are reluctant to apply the doctrine in situations where the employer simply fears that the departing employee may inadvertently or unconsciously use or disclose her knowledge of trade secrets.⁴¹ Therefore, the courts appear to require a substantial showing of threatened misappropriation in order to overcome the presumption of free employee mobility.

D. California Public Policy Favors Employee Mobility

California Business and Professions Code Section 16600 reflects the state's strong public policy favoring employee mobility.⁴² Section 16600 provides that "every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void."⁴³ Under this statute, California courts have consistently rejected noncompetition agreements as counter to public policy that favors em-

36. *Id.* at 1269.

37. *Id.* at 1267, 1270.

38. *See, e.g.*, *DoubleClick, Inc v. Henderson*, No. 116914/97, 1997 WL 731413 (N.Y. Sup. Ct. Nov. 7, 1997); *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F. Supp. 1405 (N.D. Iowa 1996); *Merck & Co. v. Lyon*, 941 F. Supp. 1443 (M.D.N.C. 1996); *Novell, Inc. v. Timpanogos Research Group, Inc.*, 46 U.S.P.Q.2d (BNA) 1197 (Utah D. Ct. 1998).

39. *See DoubleClick*, 1997 WL 731413, at *6; *Uncle B.'s Bakery, Inc.*, 920 F. Supp. at 1419; *Merck & Co.*, 941 F. Supp. at 1461; *Novell, Inc.*, 46 U.S.P.Q.2d (BNA) at 1204. *See infra* notes 112-124 and accompanying text. *See also* Miller, *supra* note 29, ¶¶ 43-49, for a general discussion of the implicit "bad faith" requirement.

40. Miller, *supra* note 29, ¶ 49; Starr, *supra* note 26.

41. *See, e.g.*, *Int'l Bus. Mach. Corp. v. Seagate Tech., Inc.*, 941 F. Supp. 98, 101 (D. Minn. 1992) (on remand from the Eighth Circuit).

42. *See Application Group, Inc. v. Hunter Group, Inc.*, 61 Cal. App. 4th 881, 900-01 (Ct. App. 1998).

43. CAL. BUS. PROF. CODE § 16600 (West 1997).

ployee mobility.⁴⁴ Courts in most other states, on the other hand, apply a "rule of reason" in determining whether to uphold noncompetition agreements.⁴⁵

The policy reasons supporting section 16600 are based first and foremost on the long-held proposition that "every citizen shall retain the right to pursue any lawful employment and enterprise of their choice."⁴⁶ Judicial enforcement of this right protects the fundamental interests of the individual in her own mobility and betterment.⁴⁷ Failure to defend this right could deprive an individual of her livelihood.⁴⁸ Additionally, section 16600 supports California's interest in "protecting the freedom of movement of persons whom California-based employers . . . wish to employ."⁴⁹ Under this rationale, section 16600 benefits both California employees and employers by facilitating and promoting employers' access to potential employees.⁵⁰ Finally, section 16600 supports the public's interest in efficiency and productivity by allowing the public to benefit from the exercise of an individual's specialized knowledge and expertise.⁵¹

Supporting this policy, several commentators have attributed the success of Silicon Valley, California's technology center, to the mobility of its employees⁵² and particularly to section 16600.⁵³ Lacking the restraints of noncompetition agreements, the job-hopping culture of Silicon Valley has encouraged the "spill-over" of knowledge among established technology firms and start-ups.⁵⁴ Although such spill-overs may put trade secrets at risk, their overall effect is to promote innovation and invention.⁵⁵ These benefits appear to have exceeded the potential costs of trade secret disclo-

44. See *Muggill v. Reuben H. Donnelly Corp.*, 398 P.2d 147, 149 (Cal. 1965); *Application Group, Inc.*, 61 Cal. App. 4th at 901.

45. See *Scott v. Snelling & Snelling, Inc.*, 732 F. Supp. 1034, 1042 (N.D.Cal. 1990).

46. *Application Group, Inc.*, 61 Cal. App. 4th at 900.

47. See *id.* (citing *Diodes, Inc. v. Franzen*, 67 Cal. Rptr. 19, 26 (Ct. App. 1968)).

48. See *State Farm Mut. Auto. Ins. Co. v. Dempster*, 344 P.2d 821, 825 (Cal. Ct. App. 1959).

49. *Application Group, Inc.*, 61 Cal. App. 4th at 900-01.

50. See *id.*

51. See, e.g., *Wright v. Ryder*, 36 Cal. 342, 360-62 (1868).

52. See generally ANNALEE SAXENIAN, *REGIONAL ADVANTAGE: CULTURE AND COMPETITION IN SILICON VALLEY AND ROUTE 128* (1994).

53. See Ronald J. Gilson, *The Legal Infrastructure of High Technology Industrial Districts: Silicon Valley, Route 128, and Covenants Not To Compete*, 74 N.Y.U. L. REV. 575 (1999).

54. *Id.* at 579, 585-86.

55. *Id.*

sure, as demonstrated by the rapid expansion and sustained growth of Silicon Valley compared to other technology centers in the United States.⁵⁶

E. Rejection of Inevitable Disclosure in Federal Court

Until recently, it was unclear whether the doctrine of inevitable disclosure applied to cases in both California and the Ninth Circuit.⁵⁷ Some state court decisions suggested that it could.⁵⁸ In *Advanced Micro Devices, Inc. v. Hyundai Electronics America*, plaintiff Advanced Micro Devices (“AMD”) filed a complaint against defendant Hyundai alleging misappropriation of trade secrets when Hyundai created a competing “flash memory” division.⁵⁹ Hyundai staffed its new division by hiring several former AMD employees with knowledge of AMD’s proprietary flash memory technology. Although AMD presented no direct evidence of misappropriation, it convinced the court that disclosure of its trade secrets by its former employees was inevitable.⁶⁰ On this basis, the court issued a preliminary injunction blocking the former AMD employees from working on certain projects for Hyundai.⁶¹

In *Electro Optical Industries, Inc. v. White*, the Court of Appeal for the Second Appellate District stated in dicta that “[a]lthough no California court has yet adopted it, the inevitable disclosure doctrine is rooted in common sense and calls for a fact specific inquiry. We adopt the rule here.”⁶² Notwithstanding its approval of the doctrine, the court did not actually apply it in its decision.⁶³ Instead, the court affirmed the lower court’s denial of plaintiff’s motion for a preliminary injunction, finding that the disputed trade secrets either were not known by the defendant or were not in fact secret.⁶⁴ Nonetheless, several commentators viewed this decision as an affirmative adoption of the doctrine of inevitable disclosure

56. *Id.* at 609.

57. Gary E. Weiss & Sean A. Lincoln, *Accepting the Inevitable: The California Court of Appeal Has Finally Adopted the Trade Secret Doctrine of ‘Inevitable Disclosure,’* RECORDER, Feb. 2000, at S6.

58. See cases cited *infra* notes 59 and 62.

59. First Amended Complaint, *Advanced Micro Devices, Inc. v. Hyundai Elecs. Am.*, No. CV 752679 (Cal. Super. Ct. Oct. 24, 1995); see also Emmert, *supra* note 10, at 1192-96.

60. Emmert, *supra* note 10, at 1195.

61. *Id.* The case later settled.

62. *Electro Optical Indus., Inc. v. White*, 90 Cal. Rptr. 2d 680, 684 (Ct. App. 1999), ordered *depublished* (April 12, 2000).

63. See *id.*

64. *Id.* at 685.

by California.⁶⁵ However, the California Supreme Court later depublished this decision.⁶⁶

In contrast to state court doctrine, recent cases from federal district courts in California have summarily rejected the doctrine. In *Danjaq, LLC v. Sony Corp.*, the court stated outright that plaintiffs could not rely on the inevitable disclosure doctrine as articulated in *PepsiCo* because "*PepsiCo* is not the law of the State of California or the Ninth Circuit."⁶⁷ In *Computer Sciences Corporation v. Computer Associates International, Inc.*, the plaintiffs did not invoke the doctrine to support a claim for injunctive relief but instead attempted to use the doctrine as evidence supporting actual misappropriation.⁶⁸ In granting summary judgment for the defendants, the court held that a plaintiff alleging actual misappropriation could not rely on the doctrine to fill in gaps in the evidentiary record.⁶⁹

In *Bayer Corp. v. Roche Molecular Systems, Inc.*, the Northern District of California similarly held that "California trade secrets law does not recognize the theory of inevitable disclosure; indeed, such a rule would run counter to the strong public policy in California favoring employee mobility."⁷⁰ The court found that the doctrine creates an *ex post facto* covenant not to compete, and, as such, is properly rejected under section 16600.⁷¹ The court further noted that the doctrine "does not supply the proof needed to . . . raise serious questions about actual use or threat [of misappropriation],"⁷² suggesting that evidence of inevitable disclosure would never suffice to support a plaintiff's claim of misappropriation. By denying recognition of the doctrine of inevitable disclosure in California, the decisions in *Danjaq*, *Computer Sciences*, and *Bayer* established precedent in the dis-

65. See Emmert, *supra* note 10, at 1200-01; Weiss & Lincoln, *supra* note 57.

66. *Electro Optical Indus., Inc. v. White*, 90 Cal. Rptr. 2d 680 (Ct. App. 1999), *ordered depublished* (April 12, 2000).

67. *Danjaq, LLC v. Sony Corp.*, No. CV 97-8414-ER, 1999 WL 317629, at *1 n.1 (C.D. Cal. Mar. 11, 1999).

68. *Computer Scis. Corp. v. Computer Assocs. Int'l Inc.*, Nos. CV 98-1374-WMB SHX, CV 98-1440-WMB SHX, 1999 WL 675446 (C.D. Cal. Aug. 12, 1999).

69. *Id.* at *16.

70. *Bayer Corp. v. Roche Molecular Sys., Inc.*, 72 F. Supp. 2d 1111, 1120 (N.D. Cal. 1999).

71. *Id.* at 1119. Application of the doctrine of inevitable disclosure necessarily results in an *ex post facto* or judicially implied covenant not to compete. If disclosure is truly inevitable, then the only effective remedy is injunctive relief prohibiting the employee from assuming a competing position. An alternative form of relief, for example, allowing the employee to assume a competing position but enjoining the use or disclosure of the trade secret, would prove ineffectual because disclosure is outside the power of the employee to consciously prevent or control.

72. *Id.* at 1112.

trict courts of the Ninth Circuit, thus laying the groundwork for the decision rendered in *GlobeSpan*.

II. CASE SUMMARY

A. Facts and Procedural Posture

Plaintiff GlobeSpan, Inc., a New Jersey corporation, employed defendant John O'Neill for nearly three years as a Market Development Manager and Product Line Manager in its "DSL" division.⁷³ O'Neill left GlobeSpan to work for defendant Broadcom, a California corporation and one of GlobeSpan's direct competitors.⁷⁴ Defendants O'Neill and Broadcom first filed suit in California seeking declaratory relief for non-misappropriation of trade secrets, and alleging unfair competition.⁷⁵ GlobeSpan later filed suit in New Jersey state court alleging, *inter alia*, misappropriation of trade secrets.⁷⁶ The defendants removed the action from New Jersey state court to New Jersey federal district court on the grounds of diversity of citizenship.⁷⁷ The New Jersey federal district court transferred the action to the Central District of California for consolidation with the defendants' first filed suit.⁷⁸

GlobeSpan's complaint set forth the following counts: 1) misappropriation of trade secrets against defendants O'Neill and Broadcom; 2) unfair competition against defendants O'Neill and Broadcom; and 3) breach of the duty of loyalty against defendant O'Neill.⁷⁹ GlobeSpan further moved to enjoin O'Neill from entering into an employment contract with Broadcom for at least one year.⁸⁰ The court granted Broadcom's motions to dismiss counts one and two on the grounds that the inevitable disclosure doctrine does not provide a sufficient basis to support either of these allegations.⁸¹

73. *GlobeSpan, Inc. v. O'Neill*, No. CV 01-04350 LGB, 2001 WL 801609, at *1 (C.D. Cal. July 12, 2001).

74. *Id.*

75. *Id.*

76. *Id.*

77. *Id.*

78. *Id.*

79. *Id.*

80. *Id.*

81. *Id.* at *7. The court did not address in its opinion count 3 of the complaint.

B. The Court's Analysis of Plaintiff's Trade Secrets Misappropriations Claim

Relying on the *Bayer*, *Computer Sciences*, and *Danjaq* decisions, the court rejected GlobeSpan's argument that the inevitable disclosure doctrine, on its own, supports a claim for actual misappropriation of trade secrets. In a brief opinion, Judge Baird stated that "[t]he Central District of California [in *Computer Sciences* and *Danjaq*] has considered and rejected the inevitable disclosure doctrine."⁸² Citing *Bayer*, the court noted that California trade secrets law does not recognize the doctrine of inevitable disclosure, which runs counter to the strong public policy in California favoring employee mobility.⁸³ On these grounds, the court subsequently concluded that the doctrine of inevitable disclosure failed to prove that defendant Broadcom actually used or disclosed plaintiff's trade secrets.⁸⁴

The court also rejected GlobeSpan's claim on the grounds that the "Plaintiff has not alleged that either Defendants Broadcom or O'Neill will use or disclose Plaintiff's trade secrets."⁸⁵ By this statement, the court apparently acknowledged that a plaintiff might bring a valid claim under section 3426.2(a), which allows injunctive relief for "threatened misappropriation." However, the court's holding, like that in *Bayer*, implied that the doctrine of inevitable disclosure could under no circumstances meet the evidentiary requirements for such a claim.⁸⁶

III. ANALYSIS

A. Section 16600 Does Not Reach the Doctrine of Inevitable Disclosure

1. *The Intended Scope of Section 16600*

Section 16600 was originally adopted in 1872 as section 1673 of the California Civil Code.⁸⁷ The purpose of section 1673 was to invalidate contracts that restrained trade by restricting competition.⁸⁸ The cases cited in the comment to section 1673 generally involved contracts for the sale of

82. *Id.* at *6.

83. *Id.*

84. *Id.*

85. *Id.* (emphasis added).

86. *See id.* at *6.

87. CAL. CIV. CODE § 1673 (1872) (repealed 1941) ("Every Contract by which anyone is restrained from exercising a lawful profession, trade, or business of any kind, otherwise than is provided by the next two sections, is to that extent void.").

88. Gilson, *supra* note 53, at 618-19 & n.152 (1999).

goods used in a trade or business conditioned upon a promise by either the buyer or seller not to compete.⁸⁹ These cases did not involve the application of restrictive covenants to former employees, nor did they address issues concerning trade secrets.⁹⁰ Therefore, the adoption of section 1673 occurred outside the employment context, primarily for the purpose of promoting free trade and preventing monopolies.

The Supreme Court of California later applied section 1673 to invalidate restrictive covenants that prohibited departing employees from competing with their former employers.⁹¹ In these cases, the employees took with them only general skills and knowledge, not their employers' trade secrets.⁹² Therefore, the employers' purpose in attempting to enforce these covenants could not have been to protect specific trade secrets. More likely, the employers sought to stifle competition by limiting the availability of a generally skilled workforce.⁹³ Consistent with the purpose of section 1673, the California Supreme Court properly rejected these broad-reaching covenants as restraining trade and fostering monopolies.⁹⁴

89. See § 1673 cmt. (citing *Wright v. Ryder*, 36 Cal. 342 (1868) (voiding as counter to public policy a contract for the sale of a steam boat that precluded operation of the boat in the waters of California); *More v. Bonnet*, 40 Cal. 251 (1870) (voiding as counter to public policy a contract for the sale of roofing tools and materials wherein the seller promised not to engage in a competitive roofing business in the state of California)). *But see* *California Steam Navigation Co. v. Wright*, 6 Cal. 258 (1856). Under the disputed contract, which did not involve the sale of goods, defendant received consideration for a promise not to navigate certain waters of California for three years. The California Supreme Court reversed the lower court's dismissal of plaintiff's breach of contract suit.

90. See cases cited *supra* note 89.

91. *Davis v. Jointless Fire Brick Co.*, 300 F. 1 (9th Cir. 1924) (relying on section 1673 to dissolve an injunction prohibiting a salesman from selling brick and cement products in competition with his former employer); *Merchants' Ad-Sign Co. v. Sterling*, 57 P. 468 (Cal. 1989) (voiding under section 1673 a covenant not to compete in a suit brought by an employer against a former manager and stockholder who established a competing advertising business). *Cf.* *Chamberlain v. Augustine*, 156 P. 479 (Cal. 1916) (voiding under section 1673 a contract for the sale of stock wherein the stock purchaser agreed not to engage in a competing business).

92. See cases cited *supra* note 91.

93. See Maureen B. Callahan, *Post-Employment Restraint Agreements: A Reassessment*, 52 U. CHI. L. REV. 703, 715 (1985). ("An employer with market dominance . . . may be able to use post-employment restraints to prolong that position by reducing the dissemination of knowledge that would allow others to compete effectively with the employer or by restricting the number of potential competitors . . . the employer may attempt to preserve market power simply by preventing the employee from using his skills in competition with the employer.").

94. The preponderance of cases decided by the California Supreme Court under section 1673 emphasizes the antitrust purpose of this section. See *Vulcan Powder Co. v. Hercules Powder Co.*, 31 P. 581 (Cal. 1892) (rejecting under section 1673 a contract that

Currently, many employers continue to require restrictive covenants from employees at all levels, regardless of whether these employees will become aware of trade secrets.⁹⁵ Because these covenants are broadly imposed upon employees who only have general knowledge and skills, their primary purpose is probably not to protect trade secrets, but to deprive competitors of skilled employees. Because these covenants are similar in purpose and scope to those previously rejected under section 1673, California courts should reject them under section 16600 as anti-competitive and monopolistic.

In contrast, judicially created restrictive covenants compelled by the doctrine of inevitable disclosure restrain employee mobility for the purpose of protecting trade secrets. Because a legitimate and lawful motivation underlies the formation of these covenants, they are of a substantially different character than those contemplated by section 16600 and its predecessor, section 1673. Therefore, the courts should not view such judicially created restrictive covenants through the same critical lens of section 16600. To do so would impermissibly expand section 16600 beyond its intended scope, which historically has been limited in its inception and its application to the invalidation of contracts that purposefully contravene antitrust doctrine.

2. *A Judicially Created Exception to Section 16600*

Even if the doctrine of inevitable disclosure creates an *ex post facto* restrictive covenant that violates the policy goals of section 16600, the doc-

fixed prices by a syndicate of dynamite manufacturers); *Getz Bros. v. Fed. Salt Co.*, 81 P. 416 (Cal. 1905) (rejecting under section 1673 and the Sherman Act a contract whereby defendants agreed to purchase all their salt requirements from plaintiffs and to discourage "in any possible manner any such shipments or importations of salt [to the Pacific coast] by any other parties"); *Morey v. Paladini*, 203 P. 760 (Cal. 1922) (rejecting under section 1673 and the Sherman Act a contract whereby plaintiff suppliers agreed not to sell lobsters to anyone but defendants so that the latter would be guaranteed an exclusive right to the sale of lobsters in the Pacific coast states); *Endicott v. Rosenthal*, 16 P.2d 673 (Cal. 1932) (rejecting under section 1673 a contract that fixed prices by a syndicate of dry cleaners).

95. Leslie Miller, Associated Press, *Noncompete Clauses Hurt Job Hunters; Companies Protect Corporate Secrets from Rival Firms* (Sept. 11, 2001) ("Companies that once limited noncompete agreements to top executives . . . are now asking rank-and-file workers to sign them."), available at 2001 WL 3769828; *NBC News Today: The Prevalence Today of Noncompete Agreements with Employers and How They Affect Employees' Futures* (NBC television broadcast, July 24, 2001) (reporting on a noncompetition agreement enforced against a mattress salesman). "[I]t's a growing trend in American business. As corporations try to protect their competitive edge, noncompetes are no longer just for top level executives." *Id.*

trine nonetheless falls squarely within a judicially created exception to section 16600. State and federal courts in California have consistently recognized, albeit in dicta, that restrictive covenants are enforceable where necessary to protect an employer's trade secrets.⁹⁶ For example, the California Supreme Court in *Muggill v. Reuben H. Donnelly Corp.* stated that section 16600 "invalidates provisions in employment contracts prohibiting an employee from working for a competitor after completion of his employment or imposing a penalty if he does so, *unless they are necessary to protect the employer's trade secrets.*"⁹⁷ Recently, the Northern District of California in *Scott v. Snelling and Snelling, Inc.*, confirmed that "California courts recognize a judicially created exception to section 16600 and will enforce a restrictive covenant" if a former employee uses a former employer's trade secrets or otherwise commits unfair competition.⁹⁸ Notwithstanding their approval of this exception to section 16600, California courts have yet to actually apply it.⁹⁹

In view of this judicially created "trade secrets" exception to section 16600, the court in *GlobeSpan* should not have summarily rejected the doctrine of inevitable disclosure as counter to section 16600 without first determining whether the exception applied. In making this determination, the court should have examined the evidence to ascertain whether O'Neill's former employer actually possessed trade secrets. If so, the court should have determined under the *Muggill* standard whether injunctive relief was "necessary to protect the employer's trade secrets"¹⁰⁰ Thus,

96. See *Muggill v. Reuben H. Donnelly Corp.*, 42 Cal. Rptr. 107, 109 (1965); *Scott v. Snelling and Snelling, Inc.*, 732 F. Supp. 1034, 1043 (N.D. Cal. 1990); *Roll Systems, Inc. v. Shupe*, No. 97-12689-GAO, 1998 U.S. Dist. LEXIS 3142, at *6 n.1 (D. Mass. Jan. 22, 1998) (applying California law). As authority for this judicially created exception, *Muggill* cites *Gordon v. Landau*, 321 P.2d 456 (Cal. 1958). In this case, the California Supreme Court held that an employment contract prohibiting a salesman from divulging or soliciting clients from a carefully cultivated customer list for one year after termination did not violate section 16600 and was otherwise enforceable. *Id.*

97. *Muggill*, 42 Cal. Rptr. at 109 (emphasis added; internal citations omitted). This direct quotation from *Muggill* has since been cited with approval by California appellate courts. *Metro Traffic Control, Inc. v. Shadow Traffic Network*, 22 Cal. App. 4th 853, 859 (Ct. App. 1994); *Application Group, Inc. v. Hunter Group, Inc.*, 61 Cal. App. 4th 881, 900 (Ct. App. 1998).

98. *Scott*, 732 F. Supp. at 1043 (citing *Hollingsworth Solderless Terminal v. Turley*, 622 F.2d 1324, 1338 (9th Cir. 1980)). The court in *Scott* concluded that the judicially created exception to section 16600 "appears to remain a proper statement of the law in California." *Id.*

99. See *Scott*, 732 F. Supp. at 1044-45 (finding that plaintiff's failure to prove the existence of trade secrets precluded application of the exception to section 16600); Gilson, *supra* note 53, at 607-08.

100. *Muggill*, 42 Cal. Rptr. at 109.

summary judgment in favor of the defendant based on section 16600 was improper where there remained a question of fact as to whether the evidence met this standard.

The judicially created “trade secrets” exception to section 16600 and its application to the doctrine of inevitable disclosure strike an appropriate balance between trade secret protection and the policy interests of section 16600 in free employee mobility. The California Court of Appeal’s approach in *Diodes, Inc. v. Franzen* supports such a balance.¹⁰¹ In this case, the court held that “[t]he interests of the employee in his own mobility and betterment are deemed paramount to the competitive business interests of the employers, *where neither the employee nor his new employer has committed any illegal act accompanying the employment change.*”¹⁰² Therefore, restraints on employee mobility to prevent an illegal act, such as trade secret misappropriation, are reasonable and appropriate, notwithstanding section 16600.

B. Subjecting Inevitable Disclosure Claims to Strict Scrutiny

1. Availability of Inevitable Disclosure in California

Summary judgment based solely on the grounds that the doctrine of inevitable disclosure conflicts with section 16600 is a conclusory and improper outcome. However, the question remains as to whether evidence of “inevitable disclosure,” absent evidence of actual misappropriation or intent to misappropriate, is *ever* sufficient to support a claim of trade secret misappropriation.

To argue that evidence of inevitable disclosure can never support a misappropriations claim is to bar application of the doctrine as a matter of law. The district courts’ holdings in *Bayer* and *GlobeSpan* apparently adopt such a *per se* rule.¹⁰³ Although *Bayer* and *GlobeSpan* eliminate the current uncertainty surrounding the doctrine by providing a bright-line rule against it, barring the doctrine without exception may prove unreasonable given the irreparable consequences of trade secret misappropriation. In most cases, there exists no adequate remedy for loss of a trade secret: “[a] trade secret, once lost, is lost forever; its loss cannot be measured in money damages.”¹⁰⁴ Consequently, “preventing the disclosure of trade secrets is far preferable to suing for misappropriation after they have

101. See *Diodes, Inc. v. Franzen*, 67 Cal. Rptr. 19 (Ct. App. 1968).

102. *Id.* at 26 (emphasis added).

103. See *supra* notes 70 and 82 and accompanying text.

104. *Earthweb, Inc. v. Schlack*, 71 F. Supp. 2d 299, 308 (S.D.N.Y. 1999), *aff’d*, No. 99-9302, 2000 WL 1093320 (2d Cir. May 18, 2000).

already been disclosed.”¹⁰⁵ Therefore, the doctrine should remain available as a means for preventing the potentially irreversible damage caused by trade secret misappropriation.

2. *Bootstrapping Evidence of Inevitable Disclosure with Additional Case-Specific Factors*

Although the doctrine of inevitable disclosure serves a legitimate purpose in trade secrets law, there exists a serious potential for abuse of the doctrine if it is applied in an overly broad manner. For example, overzealous employers may use the doctrine to bring suits that lack merit in an attempt to intimidate or even cripple the competition, particularly when the competition is a resource-limited start-up.¹⁰⁶ Strategic use of the doctrine in this manner appears to be particularly prevalent in the high-tech industry, where employers often take a highly personal and emotional interest in protecting their trade secrets.¹⁰⁷ Employees in the midst of such lawsuits

105. MERGES ET AL., *supra* note 3, at 92.

106. See Vikas Bajaj, *Alcatel Guards Its Trade Secrets: Lashed by Industry Critics, VP Makes No Apologies for Lawsuits*, DALLAS MORNING NEWS, Sept. 3, 2000, at 1H, available at 2000 WL 25850899 (reporting that general counsel's policy of "aggressively suing competitors" for alleged trade secret misappropriation has brought "hundreds of millions in settlements and judgments into Alcatel coffers," with one critic contending that "they [Alcatel] don't seem to be able to differentiate between where they have merit and don't have merit"); Renee Deger, *Clash: Trade Secrets, Workers Rights, but High-Tech Companies Aren't Rushing To Test "Inevitable Disclosure"*, THE RECORDER, June 18, 1998, at 1 (reporting that Silicon Graphics dropped its suit against former employees who started their own company, possibly because the suit lacked merit); see also *infra* note 107 and accompanying text.

107. Gilson, *supra* note 53, at 629 n.70 (describing a newspaper advertisement placed by Oracle in the San Francisco Examiner). Oracle's advertisement apparently attempted to embarrass the CEO of its archrival Informix. The advertisement describes how, after eleven key research engineers left Informix to join Oracle, the CEO of Informix confronted the CEO of Oracle at his home, demanding that he return the eleven "runaway" employees. Informix filed suit for trade secret misappropriation the next day. *Id.* Four months later, Informix dropped its suit after learning "through the legal discovery process" that neither Oracle nor the departed employees misappropriated any Informix trade secrets. No money changed hands in the settlement. *Informix Corp.: Allegations Against Oracle Erroneous, Suit Is Dropped*, WALL ST. J., June 10, 1997, at B11. In a prepared statement, Informix informed the press that it "regret[ted] any statements or allegations that the engineers misappropriated any trade secrets or disclosed them to Oracle." *Informix Drops Lawsuit Against Oracle; Firm Regrets Charge of Stealing Trade Secrets Through Hires*, S.F. EXAMINER, June 10, 1997, at C-1. See also Deger, *supra* note 106 ("Trade secret cases are very emotional and tough to settle, because each side believes that only its cause is just and that the other party has ulterior motives."); Joseph A. Slobodzian, *AT&T Sued over Departed VP: Is the Issue Trade Secrets, or Jealousy, in Case Involving Qwest?*, NAT'L L.J., Aug. 21, 2000, at B1.

experience feelings of persecution and oppression.¹⁰⁸ Thus, if not rationally applied and appropriately limited, the doctrine of inevitable disclosure could have a chilling effect on entrepreneurship, innovation, and employee productivity.¹⁰⁹

Therefore, courts should view evidence presented under the rubric of the inevitable disclosure doctrine with an extremely critical eye. The District Court for the Southern District of New York presented a useful framework for applying the doctrine:

[I]n its purest form, the inevitable disclosure doctrine treads an exceedingly narrow path through judicially disfavored territory. *Absent evidence of actual misappropriation by an employee, the doctrine should be applied in only the rarest of cases.* Factors to consider in weighing the appropriateness of granting injunctive relief are whether: (1) the employers in question are direct competitors . . . (2) the employee's new position is nearly identical to his old one, such that he could not reasonably be expected to fulfill his new job responsibilities without utilizing the trade secrets of his former employer; and (3) the trade secrets at issue are highly valuable to both employers. Other case-specific factors such as the nature of the industry and trade secrets should be considered as well.¹¹⁰

The three factors enumerated above form the core of an inevitable disclosure case. However, these factors alone should not form the basis for injunctive relief. In the discussion that follows, this Note seeks to clarify and propose additional case-specific factors that would tip the balance either in favor of or against the plaintiff employer, once she has shown that the "core" factors weigh in favor of proving inevitable disclosure. These additional factors include dishonesty or bad faith motive of the employee, the nature of the trade secret, and the nature of the industry.

- a) Dishonesty/lack of candor as evidence of intent to misappropriate

In *PepsiCo*, the court held that "a plaintiff may prove a claim of trade secret misappropriation by demonstrating that defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets."¹¹¹ However, the court in *PepsiCo* also conceded that "the mere fact that a

108. See Bajaj, *supra* note 106.

109. *Id.*

110. *Earthweb, Inc. v. Schlack*, 71 F. Supp. 2d 299, 310 (S.D.N.Y. 1999) (emphasis added), *aff'd*, No. 99-9302, 2000 WL 1093320 (2d Cir. May 18, 2000).

111. *PepsiCo v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995).

person assumed a similar position at a competitor does not, *without more*, make it inevitable that he will use or disclose . . . trade secret information.”¹¹² The court then relied heavily on the defendants’ deceptive statements and lack of candor in reaching its decision to grant injunctive relief.¹¹³ The court based its decision, therefore, as much on its intuition that Redmond lacked credibility as on the inevitability of disclosure.¹¹⁴

Courts in other jurisdictions have followed suit, generally requiring a showing of dishonesty or bad faith on the part of the departing employee or the new employer.¹¹⁵ As in *PepsiCo*, a North Carolina district court found in *Merck & Co. v. Lyon* that defendant Lyon “was not entirely forthright in his representations to plaintiffs regarding his [future] employment with [defendant] Glaxo.”¹¹⁶ The court subsequently crafted a narrow injunction permitting Lyon to assume employment at Glaxo while preventing him from working on a particular product line.¹¹⁷ Similarly, in *DoubleClick, Inc. v. Henderson*, the departing employees left evidence on their laptops suggesting that they intended to incorporate their former employer’s confidential information into their own start-up’s business plan.¹¹⁸ The court further remarked upon the employees’ “cavalier attitude toward their duties to their former employer.”¹¹⁹ The court subsequently issued a six month preliminary injunction blocking the employees from competing with their former employer.¹²⁰

Dishonesty on the part of the employee or her new employer speaks to the issue of intent. It provides circumstantial evidence of the parties’ willingness to misappropriate trade secrets and their efforts to conceal as much. Similarly, the degree to which the new employer pursued or heavily recruited the employee speaks to the issue of whether the new employer intentionally recruited the employee for her knowledge of trade secrets rather than for her general skills and experience.¹²¹ The presence of either

112. *Id.* (emphasis added; internal quotations omitted).

113. *Id.* at 1271-72.

114. See 1 ROGER M. MILGRIM, MILGRIM ON TRADE SECRETS § 5.02[3][d] (2001).

115. See sources cited *supra* note 39.

116. *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1461 (M.D.N.C. 1996).

117. *Id.* at 1464-65.

118. *DoubleClick, Inc. v. Henderson*, No. 116914/97, 1997 WL 731413, at *5 n.3 (N.Y. Sup. Ct. Nov. 7, 1997).

119. *Id.* at *6.

120. *Id.* at *8.

121. See, e.g., *PepsiCo v. Redmond*, 54 F.3d 1262, 1271 (7th Cir. 1995) (“The [lower] court also pointed out that Quaker . . . seemed to express an unnatural interest in hiring PCNA [PepsiCo] employees: all three of the people interviewed for the position Redmond ultimately accepted worked at PCNA. [Quaker] may well have focused on re-

or both of these factors should weigh in favor of the former employer. Conversely, good faith efforts on the part of the employee and her new employer to prevent disclosure of trade secrets should weigh in favor of the employee.¹²²

b) Nature of the trade secret and the industry

i) Technological information

Trade secrets, in the form of technological information, lie along a spectrum. At one end of the spectrum lies the “classic” trade secret case in which an employer, generally an industry leader, has developed a pioneering technological advance over many years and at great expense.¹²³ An employee then leaves to join a new employer who has previously tried and failed to develop the same technology or otherwise has no previous history of independent development of this technology.¹²⁴ In this scenario, the employer should be entitled to broad trade secret protection and, accordingly, a court should give substantial weight to evidence of inevitable disclosure.¹²⁵ This approach is modeled after the broad protection that is often accorded to “pioneer” patents.¹²⁶

At the other end of the spectrum lie trade secrets developed in a high-tech industry where innovations occur rapidly and mainly through improvements on pre-existing technologies. In this scenario, the employer should only be entitled to narrow trade secret protection.¹²⁷ Absent evi-

cruiting PCNA employees because . . . they were good and not because of their confidential knowledge. Nonetheless, the district court, after listening to the witnesses, determined otherwise. That conclusion was not an abuse of discretion.”); *FMC Corp. v. Varco Int'l, Inc.*, 677 F.2d 500, 501 (5th Cir. 1982) (finding that defendant employer solicited an employee from its competitor due to the employee’s “precise competitive background”); *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1461 (M.D.N.C. 1996) (noting that there was “no evidence that Glaxo thought to recruit Lyon because of his knowledge of plaintiffs’ trade secrets”).

122. See *Merck & Co.*, 941 F. Supp. at 1460-61 (finding that “some type of limited injunction would be appropriate . . . because Glaxo has not shown that it has made any efforts to prevent potential disclosure of plaintiff’s trade secret information”).

123. See 1 MILGRIM, *supra* note 114, § 5.02[3][d] (discussing *E.I. Du Pont de Nemours & Co. v. Am. Potash & Chem. Corp.*, 200 A.2d 428 (Del. Ch. 1964)).

124. *Id.*

125. *Id.*

126. MERGES ET AL, *supra* note 3, at 134.

127. See *Intel Corp. v. Broadcom Corp.*, No. CV 788310, 2000 WL 33260713 (Cal. Super. Ct. June 20, 2000) (crafting narrow injunctive relief where employees left one leading chipmaker to join another); see also Karen Alexander, *Ruling Boosts Ability To Hire from Competitors Courts: Intel Loses Bid for Injunction, but Suit Accusing Broad-*

dence of actual misappropriation or intent to misappropriate, inevitable disclosure should not provide a basis for injunctive relief for two reasons. First, the line between general knowledge and trade secrets is blurred in “improvement-based” technologies.¹²⁸ Therefore, a court should give the employee the benefit of the doubt. Second, restraints on employee mobility could impede the progress of improvement-based technologies. Therefore, a court should adopt a legal framework that encourages the knowledge “spill-over” viewed by some commentators as key to innovation.¹²⁹ This approach is modeled after the narrow protection that is often accorded to “improvement” patents.¹³⁰

In a rapidly evolving technology-based environment, narrow protection for trade secrets (and increased employee mobility) may appear to disadvantage those employers who lose employees with knowledge of trade secrets. However, the effect is reciprocal: an employer who is disadvantaged by the loss of an employee may just as likely gain an employee with innovative knowledge.¹³¹ Therefore, the proper inquiry asks whether the trade secret is so pioneering and so valuable that the loss of the employee, and possibly the secret, is unlikely to be offset by the future gain of an employee with knowledge that can spur further innovation. If not, a finding of inevitable disclosure should not be dispositive. Instead, evidence of actual misappropriation or intent to misappropriate should be required.

ii) Business information

Business information, such as business plans, pricing strategies, marketing strategies, and the like, should generally receive even narrower trade secret protection compared with technology-based trade secrets.¹³² This approach is recommended due to the difficulty in valuing business information and in establishing that such information is, in fact, a trade secret.¹³³ Although businesses generally maintain the confidentiality of

com of Gleaning Secrets from Ex-Employees Will Proceed, L.A. TIMES, May 27, 2000, at C1.

128. Gilson, *supra* note 53, at 599.

129. *Id.* at 579.

130. MERGES ET AL, *supra* note 3, at 134.

131. *See* Gilson, *supra* note 53, at 609.

132. *See* 1 MILGRIM, *supra* note 114, § 5.02[3][d] n.38 (referring to business trade secrets as a “marginal form of protectable information” in his analysis of *PepsiCo.*)

133. *See* *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1461 (M.D.N.C. 1996). Although the court found that trade secrets were at stake, it also found that these secrets were not of the “type or value” that merited broad injunctive relief. The court found that the secrets comprised “general business information, the exact specifics of which might not be

their specific pricing and marketing plans, these plans are of the type that all businesses research and develop.¹³⁴ If a business independently develops and anticipates its competitor's plans using the same marketing research tools and general business acumen that its competitor uses, then such plans lose their trade secret status.¹³⁵ Furthermore, the value of pricing and marketing plans is difficult to ascertain because they are often changed and updated based on their relative market success upon implementation.¹³⁶

In sum, a court should apply a two-part analysis in its evaluation of an inevitable disclosure claim. The first part should examine the "core" *DoubleClick* factors: the degree of competition between the former and new employers; the degree of similarity between the employee's former and new positions; and the existence and value of the former employer's trade secrets. If these factors weigh in favor of the former employer, the court should then proceed to the second step of its analysis by examining the employee's candor, the nature of the employers' industry, and the technological or business character of the former employer's trade secrets. Only when these "second-step" factors weigh in favor of the former employer should the court grant injunctive relief, and this relief should be crafted as narrowly as possible.

IV. CONCLUSION

In *GlobeSpan*, the court's rejection of the doctrine of inevitable disclosure under California Business and Professions Code Section 16600 was improper. Because the doctrine does not conflict with California law, a court should not summarily dismiss a claim of trade secret misappropriation

known to competitors, but which in general is the type of information developed by all business organizations." Further, the court observed that "the information, while important, is not of critical value and, in any event, is time-dated." These findings supported the court's granting a "very narrow injunction."

134. *See id.*

135. *See id.* at 1457. Supply agreements and marketing plans "constitute competitively valuable information not generally known. However, this information is also subject to rapidly being outdated and is subject to some extent to independent development." *Id.*

136. *See id.* It is interesting to note that PepsiCo ultimately bought Quaker. Ameet Sachdev, *PepsiCo Agrees To Buy Quaker: Company To Be Acquired for \$13.4 Billion in Stock*, CHI. TRIB., Dec. 4, 2000, at 1. Can we infer from this transaction that PepsiCo's marketing strategy failed to raise its sports beverage, "All Sport," to the level of its competitor, Gatorade, despite PepsiCo's having kept its marketing secrets (and Redmond) out of Quaker's hands? Perhaps this conclusion stretches the imagination, but nevertheless, PepsiCo may have overestimated the value of its marketing strategy.

tion based on inevitable disclosure. Instead, a court should carefully weigh the facts that a plaintiff presents under the purview of the doctrine to determine if the threat of misappropriation and its possible consequences merit injunctive relief. By subjecting inevitable disclosure claims to strict judicial scrutiny, a court will maintain a sensible balance between trade secret protection and employee mobility that, in all but the most extreme cases, favors the employee.